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29 May 1956
 OGC Has Reviewed

MEMORANDUM FOR: Chief, Finance Division

SUBJECT: Write-off of Loan

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1. Your memorandum of 28 May 1956 stated that Subject loan has been submitted for write-off under CFR 1.4(d). The essential facts are stated by you to include the following:

a. Subject is an indigenous official who has been of operational value to the Agency and whose future potential to the Agency is expected to be enhanced by cancellation of his operational "loan".

b. At the time the "loan" was made the possibility of non-recovery was recognized but it was indicated that subject's value was such as to justify the amount as an outright operational gift or payment for services rendered. Dispatches from the Field are cited in support.

c. The loan was approved by the Senior Representative,

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d. The subject is not under contractual or other employment relationship with the Agency.

e. Subject also furnished a receipt for the funds passed to him.

2. You request our views on whether this "loan" can properly be charged to expense at this time under Regulation in reviewing the facts which you have furnished, it is our opinion that at the time the "loan" was actually made all of the elements

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were present which would have permitted the funds to have been charged as operational expenses under Regulation [] In our view the passage of time since the making of the "loan" does not invalidate the authority existing in appropriate Approving Officers in the DD/P to authorize such an expenditure. Therefore, we agree with you that it is legally proper at this time to treat the "loan" as a payment under the provisions of Regulation [] if otherwise appropriate.

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3. At your suggestion this matter was reviewed with the DD/S on the basis of possible policy considerations. The DD/S was of the view that since Regulation [] was sufficient authority there was no reason to treat the matter on any different basis. The matter of judgment, of course, would always enter into a specific case and the DD/S stated that he would, as in other matters, have to rely on your judgment as to whether or not it was a proper case. Certainly the authority should not be used to write-off a true loan and it appears highly desirable that the original transaction be clearly documented, as to its true nature as in subject case. There would appear to be no reason as new "loans" are requested by the operating division that Finance Division in fact treat them as expenditures and simply establish memorandum accounts. The treatment by the Finance Division of such items would not affect whatever way the operational personnel wished to deal with the agent. As a further suggestion, if there are other appropriate cases on the books which have been treated as loans which are adequately documented as expenditures in effect within [] these could be adjusted on Finance books to take them out of the advance accounts and charge them to expense with proper notations in memorandum accounts.

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[]
Deputy General Counsel

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cc: DD/S
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